16th May 2019

Statement of Fred Barry, Chair, National Paediatric Hospital Development Board to the Committee of Public Accounts 16th May 2019

Introduction

Dear Chair and members of the committee, thank you for inviting us here this morning to resume your January 2019 examination of the National Paediatric Hospital Development Board 2017 Financial Statements. I am joined by Paul Quinn, Board member of the NPHDB, Jim Farragher, Finance Officer, NPHDB and Dr Emma Curtis, Medical Director, NPHDB.

Background

The National Paediatric Hospital Development Board was appointed in August 2013 to design, build and equip a new children’s hospital. A planning application was lodged in August 2015 and An Bord Pleanála granted planning permission in April 2016 for the new children’s hospital, the paediatric outpatients and urgent care centres at Connolly and Tallaght Hospitals and related developments including the Children’s Research and Innovation Centre (CRIC) and a family accommodation unit adjacent to the new children’s hospital.

Expenditure to 31 December 2017

The expenditure as at 31 December 2017 was €67.2 m as listed below, the 2017 accounts have been audited and approved by the C&AG. Also listed below are the draft unaudited expenditure as at 31st December 2018 and a date for CA&G to audit these accounts has been set for late June 2019.
Cost escalation following completion of the second stage of the two-stage procurement process

In December 2018 following the completion of the second stage of the two-stage procurement process, the final cost of the design, build and equipment programme for which the National Paediatric Hospital Development Board is responsible is now at €1.433 million, €450m more than advised to Government in April 2017. €319 of the additional cost relates to construction costs, and the balance of €131m, which includes €50 million in VAT, relates to costs associated with staff, construction/design consultants, planning, design team fees, risk and contingency. Previously we included detail on the seven Construction Cost Drivers in the briefing document sent to you for review in January 2019. A PwC review on the escalation of costs was commissioned by the HSE in January 2019 and the findings of the review were published on 9th April 2019.

As discussed with you in January 2019, once the Board became aware of the significant additional costs emerging, the Board set in place a review of alternate options. Contractually the NPHDB did not have to proceed with the second stage (Phase B above ground) construction works and a number of options were considered and carefully evaluated. The outcome of the options evaluated was a recommendation by the NPH Board, accepted by the HSE, Department of Health and Government – to proceed with the instruction of Phase B works as it offered the best solution commercially and ensured the completion of the Children’s Hospital in the shortest timeframe.

Since our last appearance before you in January 2019, the then Chair Tom Costello resigned from the role and I would like to take this opportunity to acknowledge the contribution and personal commitment made by him. Shortly after I was pleased to be appointed to the role as Chair of the NPHDB and appeared before the Joint Oireachtas Committee on Health to ratify my position as Chair. In March 2019, the Project Director, John Pollock decided that as the two-stage procurement process was finalised and approved, and the project has now moved into the final construction phase it was an appropriate time for him to leave the project.

<table>
<thead>
<tr>
<th>Analysis of Expenditure to 31 December 2017 and 2018 - Gross</th>
<th>2017</th>
<th>2018 (DRAFT)</th>
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</thead>
<tbody>
<tr>
<td>(i) BST / CMS</td>
<td>1,639,863</td>
<td>2,953,969</td>
</tr>
<tr>
<td>(ii) Design Team</td>
<td>11,152,137</td>
<td>20,626,402</td>
</tr>
<tr>
<td>(iii) Site Development &amp; Clearance Costs</td>
<td>13,307,858</td>
<td>297,595</td>
</tr>
<tr>
<td>(iv) Construction Costs</td>
<td>29,042,176</td>
<td>100,615,550</td>
</tr>
<tr>
<td>(v) Equipment</td>
<td></td>
<td>4,485</td>
</tr>
<tr>
<td>(vi) Admin Costs</td>
<td>12,069,169</td>
<td>4,594,772</td>
</tr>
<tr>
<td></td>
<td><strong>67,211,202</strong></td>
<td><strong>129,092,774</strong></td>
</tr>
</tbody>
</table>
To this end and as per one of the recommendations from the recently published PwC report on cost escalation ‘to strengthen the capacity of the NPH Executive’, we have recently advertised through the Public Appointments system for a Chief Officer and we hope to interview for this role within the comings weeks.

As indicated above, since our last appearance, a PwC review on the cost escalation of the project has also taken place and recommendations have been made in this regard. The Board of the NPHDB have reviewed the report, acknowledged and noted the issues raised and recommendations set out in the PwC report and is developing an implementation plan against this.

Prior to the publication of the PwC report the Board had identified and commenced implementing a number of key project changes, for example;

- Strengthening the executive with a separate Chief Officer and Project Director roles
- Establishing Commissioning and Project Controls workstreams within NPHDB
- Key Risks as a standing item at Board meetings
- Agreed procurement strategy with stakeholders in relation to equipping main children’s hospital
- Put in place performance based KPI’s with core design team members

In addition, the NPHDB will continue to work with all stakeholders involved in this important project and will do all that is within its power to support the implementation of the PwC recommendation.

**Update on the Construction and Project Timelines**

The Paediatric Outpatient and Urgent Care Centre at Connolly is complete and earlier this week was handed over to Children’s Health Ireland for them to commence the commissioning and transitioning of staff. Children’s Health Ireland will operate the service and the centre is due to open in July 2019.

Decant works at Tallaght University Hospital are now complete and the new creche, changing facility and offices are open. Construction work on the 4600m2 Paediatric Outpatient and Urgent Care Centre started last month and is due to open in 2020.

Construction work on the new children’s hospital on a shared campus with St. James’s is progressing well with the structural frame, walls, slabs and columns now above ground level in most advanced areas. Basement excavation and piling are now substantially complete. The mechanical and electrical fit out of the basement plant areas is due to commence shortly. Project costs incurred to end of March 2019 including construction costs were €314 million.

Construction work on the new children’s hospital are scheduled to be completed in Q3 2022. This will be followed by a period of commissioning and it will open in 2023.
Thank you for your attention, we are happy to answer any questions.

Fred Barry
Chair
National Paediatric Hospital Development Board